



July 1, 2007

Honorable Mayor and Members of the City Council  
City of Rockville, Maryland

It is my privilege to present to you the adopted budget for the City of Rockville for Fiscal Year 2008. The budget is balanced, and supports the Mayor and Council's Vision 2020, existing programs and services, and the City's infrastructure. We face FY08 in a strong financial position. The management team continues to control expenditures, and our revenues are strong.

The Government Finance Officers Association recognized the City's FY07 budget document for its excellence as a communication device, policy document, financial plan, and operations guide. I hope that you also find it a valuable tool in making the important decisions that will impact Rockville citizens and the City government throughout the next year.

### **Changes to the Budget Document**

Staff has continued with format changes that are noticeable throughout the operating budget and the Capital Improvement Program (CIP).

Performance measures are enhanced throughout the document by being separated into workload indicators and true outcome measures.

The Non-Departmental section has additional detail of expenditures by fund that should make this section a lot easier to read and understand. In addition, the caregiver agency costs have been moved from Non-Departmental to Community Services where these agencies are managed.

Many significant changes have been made to the CIP book. Staff has labeled maintenance projects with an "M" to differentiate ongoing projects from those that have a start and an end. If the project's funding is from bond proceeds, this is indicated on the project sheet. Over \$200,000 budgeted for expenditures were moved to the operating budget from the CIP to more accurately reflect costs within the applicable cost center. In addition, there is a new section in the Fund

Summaries section of this book that details the FY08 CIP appropriations by fund and by program area. All content changes in the adopted budget book and CIP book are intended to make the documents more informative and reader friendly. Each improvement to the document shows the transparency with which we govern, and demonstrates that the tax dollars we receive are prudently managed.

### **Major Factors Impacting the FY08 Budget**

#### Economic Climate

The national and regional economic climates impact our finances and budget. Local economic experts agree that the local regional economy will continue its steady growth. A continued strong job market spearheaded by low unemployment is anticipated, and will continue to make recruiting talented staff challenging. The housing market has cooled noticeably, and this will affect future property assessments, and the resultant City tax revenues.

Energy costs continue to rise, and the City's FY08 General Fund budget includes an additional \$88,000 to cover electricity cost increases at City facilities. This adds to previous increases in FY07 and FY06 where energy costs doubled.

Rockville is a major economic engine for the region, and the City remains committed to promoting economic development. An important part of this commitment is our continued support of Rockville Economic Development, Inc. (REDI). Funding of \$471,112 is provided for REDI in FY08.

#### Property Assessments

Property value assessments and new development are principal drivers of City revenues. For several years both new development and property values have increased significantly, providing needed revenue to meet the demand for basic municipal services and maintenance of public facilities. The rate of new private development is showing signs of slowing. The City's current moratorium will have a temporary impact on both the development and fee revenue that the City receives from permitting fees.

The revenue impact of this slowing rate of new development is not readily apparent because property values remain relatively high. As noted in this budget, the billable assessed value is expected to increase by 13.1 percent from FY07 to FY08. The City estimates that 10.7 percent of the increase is attributable to the growth in assessed value of existing property and the remainder is the result of the addition of new residential and commercial properties. While economists do see housing prices continuing to stabilize in FY08, the assessments will continue to grow, but at a slower rate. The City anticipates that it will take three to four budget cycles before the assessed value above the ten percent cap on annual increases is fully taxed.

#### Tax Relief

The FY08 adopted budget includes approximately \$2.7 million in property tax relief. This relief is provided through a one-cent rate reduction, a \$100 credit to all owner-occupied residential properties, and the Homeowners' Tax Credit Program. The one-cent rate reduction brings the real property tax rate from \$0.312 to \$0.302 per \$100 of assessed value. The real property rate reduction

applies to both residential and commercial properties, and this is the second year in a row that the rate has been reduced by one penny. The personal property tax rate of \$0.805 per \$100 of assessed value will remain the same for FY08. The total tax relief that the FY08 budget provides is significant. It represents approximately 4.6% of the City's General Fund budget and should mitigate some of the tax burden felt by residents due to rising assessments.

The \$100 credit per owner-occupied household is provided through the State's income tax offset program. This is the first time that the City has utilized this program to provide tax relief. There are several advantages to the City providing tax relief by utilizing the income tax offset program. First, this method is progressive, proportionally worth more to lower income residents than to those with higher incomes, as it is the same flat amount for all residential units. Second, it provides more flexibility to the Mayor and Council to target residential rather than commercial property owners. Third, it allows the Mayor and Council to review the program annually and make decisions based on current City finances and priorities for resource allocation. Finally, it does not impact future revenue growth.

The third method provides property tax relief to the City's low-and moderate-income taxpayers through the Homeowners' Tax Credit Program. Many households with annual gross incomes of up to \$70,000 will qualify for this credit on their FY08 real property tax bills. For very low household incomes, the credit eliminates the City tax bill on the first \$300,000 of assessed value. The amount of the credit decreases as gross household income rises, until reaching zero at \$70,000. Approximately 630 households received an average tax credit of \$308 last year.

The City will receive approximately \$1,009,321 less in tax revenue due to the one-cent rate reduction, \$1,527,400 less due to the income tax offset program, and approximately \$200,000 less due to the Homeowners' Tax Credit Program. Nonetheless, revenues will continue to increase as long as property assessments continue to grow, although at a slower rate.







In order to pay for the \$2.7 million in tax relief, the Mayor and Council supported a Tax Relief Plan that would have the least impact to programs and services currently being provided to the residents of Rockville. The Plan utilized a combination of increased revenues (\$1.3 million), deferral of certain pay-go funded CIP projects (\$835,000), and a selected "freeze" of vacant and/or newly recommended positions (\$503,500). Staff will be monitoring the revenues closely and should additional funding become available during the course of the year, the deferred CIP projects will be prioritized for funding as will the unbudgeted positions. Please see Table 1 for details of the Plan.

TABLE 1: Plan to Provide Tax Relief in FY 2008

Plan to Provide Tax Relief in FY 2008	
<b>Increased Revenues</b>	<b>1,398,223</b>
<b>Hiring Freeze</b>	
1.0 FTE Zoning Inspector	63,000
1.0 FTE Planner III Redevelopment	74,000
1.0 FTE Engineering Technician IV	58,000
1.0 FTE Data and GIS Specialist	71,000
1.0 FTE Facilities Maintenance Tradesworker	48,500
0.4 FTE Kids Room Director (part-time)	15,000
0.5 FTE Program Assistant III (part-time)	21,500
0.5 FTE Senior Outreach Worker II (part-time)	22,500
1.0 FTE Tree Climber	47,000
1.0 FTE Training Coordinator	83,000
<b>8.4 FTE</b>	<b>503,500</b>
<b>Deferral of Capital Projects</b>	
Fallsgrove SWM Pond Enhancements (construction portion)	100,000
Veirs Mill Road Landscape (construction portion)	110,000
Playground Equipment Replacement	180,000
Traffic Controls: Citywide	100,000
City Vehicles	344,998
	<b>834,998</b>
<b>TOTAL</b>	<b>2,736,721</b>

### Mayor and Council Vision 2020

The FY08 adopted budget allocates resources to focus on the priorities of the Mayor and Council. In May 2006, the Mayor and Council adopted Vision 2020 for the City of Rockville, along with associated priorities to be accomplished between 2006 and 2008. Vision 2020 guides staff in planning programs, services and projects for the community. The six vision themes are as follows (complete descriptions can be found on page 2-1 of this book):

- A Distinctive Place 
- A City of Neighborhoods 
- Communication and Engagement 
- An Exceptional Built Environment 
- Balanced Growth 
- Fiscal Strength 

The City Manager's Office has the leadership responsibility for implementing Vision 2020. Highlights of the progress being made can be found in Section 5 of this book.

### Town Center Redevelopment

The creation of a vibrant Town Center has been the City's primary goal for over five years. The redeveloped Town Square will serve as an economic, cultural, and social center of the City. This soon to be completed project will require ongoing resources in order to maintain its vibrancy and ensure its success. The adopted budget includes an additional \$123,000 for maintenance, special events, and the promotion of rooftop activities at the Arts and Innovation Center. In addition, a new Facilities Engineer is also included to cover the maintenance of the parking garages and the Arts and Innovation Center.

The ultimate success of this project will continue to require a sustained commitment of financial resources and strong project management. Town Square's potential as a catalyst for the full redevelopment of Town Center is already evident in the successful opening of the new library and the complete leasing of retail space.

### Town Center Management District

FY08 is the first year that two new taxing districts, the Town Square Street and Area Lighting District and the Town Square Commercial District, will support the maintenance and operational costs of the Town Center Management District. The establishment of these districts is part of the Town Center General Development Agreement (GDA) that the City entered into with RD Rockville and Federal Realty in September 2003.

The Town Square Street and Area Lighting District will levy a real property tax of \$0.048 per \$100 of assessed value on residential and commercial properties within the Town Square boundaries. The GDA limits the annual tax that is levied on the residential property within this District to \$140,490 for the first year. Staff anticipates that the tax rate will yield approximately \$140,490 from residential

properties and \$48,560 from commercial properties for a total of \$189,050. The Town Square Commercial District will levy a property tax of \$0.53 per \$100 of assessed value on commercial property within the Town Square boundaries. Staff anticipates that this tax rate will yield approximately \$532,048 from commercial properties. The total tax revenue from these two districts is sufficient to cover the total expenditures in the Town Center Management District budget for FY08.

### Town Center Parking District

This taxing district was formed in FY07 to pay the operational costs, including debt service, of the three public garages within Town Square. The District plays an important role in the entire City parking operation, and as discussed under "Parking Fund" on page 3-16, it is unlikely to be self-supporting in its early years of operation. The District will require significant sustained contributions from the General Fund to close the parking revenue gap. The tax rate for FY08 will be \$0.30 per hundred dollars of assessed valuation, which will provide a contribution of \$90,000 from the developer towards funding the District. A summary of the overall Parking Fund's revenues and expenses can be found on pages 3-16 and 3-17 within the Fund Summaries section.

### New Operating Expenses

The Thomas Farm Community Center, the City's first major community recreation facility west of I-270, will include a gymnasium, fitness center, game/teen room, multi-purpose rooms, bathroom/locker rooms, a kitchenette, as well as offices and storage. Net annual operating costs for the Center are projected to be approximately \$280,000. A portion of these costs are included in the FY08 budget, but the full impact will be felt in FY09 when the facility becomes fully operational.

As the City's population grows and new developments such as Town Center and Twinbrook Commons come on line, our public safety needs will increase. FY08 is the third year of a five-year program to add one police officer per year. One was added in FY06, and two in FY07.

Over the past few years the City has grown with the addition of the King Farm and Falls Grove neighborhoods, and now with the completion of Town Square. The resulting increases in population, streets, parks, and new facilities that these developments bring, requires that the City government grow to keep up with service demands. The City will strive to satisfy the demand for the highest level of municipal services within these new neighborhoods, as it does throughout the community.

### City Staffing

The high level of competition within the labor market is unlikely to change in the near future. The City organization will continue to face the challenges of low unemployment within the regional and national labor market, and the retiring baby boomer generation. Talented individuals have expectations for professional development, and the City must continue to provide those opportunities, pay competitive salaries and benefits, reward performance, and provide adequate equipment and tools in order to both retain and attract exceptional employees.

The City has held back over the past several years on adding staff as it conserved its resources to devote to developing Town Center. The FY08 budget continues this approach, despite the growth in population, and new neighborhoods. Many needed positions are not included due to physical space and revenue constraints. These positions support a wide variety of programs. The potential acquisition of the post office, discussed below, should help alleviate some of the significant space shortages that currently exist.

The FY08 adopted budget has 4.2 more benefited positions than the FY07 adopted budget. These positions are in the fields of technology and IT security, facility maintenance, environmental management, and planning. A summary of these positions can be found on pages 1-9 and 1-10 following this message.

#### Speed Camera Program

A significant addition to the adopted operating budget is the speed camera program. This program is designed to save lives by getting drivers to slow down on residential streets and near schools. It will have a favorable financial impact on City finances. Though program revenue is not available for general City operations, it will be available to support new traffic and pedestrian safety programs and projects. Because State law restricts program revenue, the City created a special revenue fund, the Speed Camera Fund, to track revenues and expenditures of the program. While it is still too early to tell exactly what the full impact of the program will be, the adopted budget contains \$1,684,200 in program revenues.

#### Maintaining our Infrastructure/Capital Projects

Investing in the City's infrastructure is critical. Deteriorating roads, bridges, public buildings, parks and utility systems in many cities and counties across the country stand as unfortunate examples of what happens when communities fail to invest sufficiently. Maintaining and enhancing these investments is critical to the City's future, as increasingly expensive as it is. The City has a fairly robust Capital Improvements Program (CIP) that addresses many, but not all of the infrastructure needs. The City's FY08 adopted CIP budget contains approximately \$25.8 million in new funding for the City's 52 current CIP projects. The Capital Projects Fund provides approximately 52.4% of the CIP's funding and other significant funding is provided by the City's six enterprise funds (water, sewer, refuse, parking, stormwater and golf).

A new CIP project on the horizon is the possible acquisition of the Old Post Office. Staff is performing a feasibility study on the reuse of the building, with the ultimate goal of renovating the building and converting it into a new public safety facility. While acquiring the building from the federal government is not a certainty, staff has received positive feedback and is taking the necessary steps to complete the acquisition. Funding has been provided in the CIP to proceed with the design of the new facility in FY08.

#### Rockville's Changing Population

Rockville is fortunate to have citizens representing a wide and diverse range of cultures in our community, and we welcome the opportunity to accommodate and adapt our services to meet their needs. The City needs to continue evaluating our overall communication strategy for reaching all Rockville residents and engaging them in the public process. We need to continue to adapt our recreation, public

safety and social service programs to ensure we are meeting the needs of our population. We also need to focus on recruiting a more diverse City workforce, with an emphasis on acquiring multi-lingual staff.

Consistent with nationwide trends, Rockville's population is aging and living longer. While our services to seniors are widely regarded as the best in the region, the large proportion of the City's population approaching retirement age presents challenges and requires that we continually adapt our services. As we look forward, we need to consider what services to provide to seniors, how to provide them, and how to pay for them.

The City also supports those with significant human service needs through grants to caregiver agencies. The FY08 adopted budget includes approximately \$445,000 for grants to these agencies. Approximately one third of the total (\$168,000) supports agencies that provide housing assistance or food and clothing services. Approximately 43 percent of the total (\$191,000) supports medical programs, home health care for seniors, and emergency financial assistance. Another 16 percent (\$70,000) supports the Latino Outreach Program.

#### **High Quality Municipal Services**

The FY08 budget was developed with the assumption that the City will maintain the same high levels of service provided in FY07. The strong growth in revenues has allowed the City to accommodate higher utility, debt service, and personnel costs, as well as subsidizing the Parking District without sacrificing service levels or programs.

Many enhanced programs and services are being offered as part of the FY08 budget, such as maintenance of infrastructure, including asphalt street paving, tree trimming and sidewalk improvements. New environmental programs will commence, and many new recreation classes are being added. New parks will be opened and new cultural facilities will begin to offer events to the public.

The City's longstanding commitment to providing a high level of basic municipal services is reflected in our citizen survey results. Our fourth semi-annual survey was conducted again during FY07, and the results were presented to the Mayor and Council on May 14, 2007. This scientific survey provides objective data on how the City government performs on behalf of the entire community, and points to program areas that need improvement. The survey results also included recommended steps to address major organization-wide themes, and department specific action plans to address and respond to critical issues. Responding to survey results showing low levels of citizen satisfaction in neighborhoods east of Rt. 355 will be emphasized in FY08.

Citizen Survey results can be found throughout the budget document in the performance measure tables located in each department section. This data assists management in assessing program effectiveness and in making decisions about funding levels for programs. The entire report of results is posted to the City's Web site and hard copies are available at City Hall, and the Rockville and Twinbrook libraries.

## Budget Overview

The adopted FY08 operating budget totals approximately \$93.8 million for the City's 12 operating funds. This represents an overall increase of 9.5 percent from the FY07 adopted budget.

TABLE 2: Total Resource Allocation by Department, All Funds

Expenditures by Department	Actual FY06	Adopted FY07	Adopted FY08	% Change
Mayor and Council	1,323,743	1,308,368	1,389,543	6.2%
City Manager	2,678,674	2,741,321	3,116,926	13.7%
CPDS	3,860,774	5,414,822	7,184,377	32.7%
Community Services	1,016,004	N/A	N/A	N/A
Finance	2,552,110	2,542,950	2,726,005	7.2%
Human Resources	891,214	909,516	1,017,534	11.9%
Information and Tech.	2,810,877	3,135,659	3,266,938	4.2%
Police	6,751,001	7,517,318	9,455,841	25.8%
Public Works	16,034,884	18,731,631	20,644,809	10.2%
Recreation & Parks	14,807,059	17,468,036	19,283,496	10.4%
Non-departmental	20,127,961	19,788,714	20,212,464	2.1%
Subtotal	72,854,302	79,558,335	88,297,933	11.0%
Debt Service Fund	18,273,187	6,110,800	5,510,892	-9.8%
<b>Total</b>	<b>91,127,489</b>	<b>85,669,135</b>	<b>93,808,825</b>	<b>9.5%</b>

Approximately 62.8% of the City's spending comes from the tax-supported General Fund. Other significant enterprise funds include the Water, Sewer, Refuse, Parking, Stormwater Management, and Golf funds. User fees charged to City households, businesses, and golf course users support these funds. Five-year cash flow projections prepared as part of the budget process determine the fees charged. Each fund is described in more detail below.

### General Fund

The General Fund constitutes the City's single largest discretionary operating fund. The City's goal is to balance the General Fund operating budget without the need to rely on reserves, which this budget achieves for FY08. The adopted FY08 General Fund budget of \$58.9 million is 4.7 percent higher than what was adopted for FY07. The General Fund growth is characterized by strong revenue growth predominantly in property taxes (increase of 4.1 percent) and income tax (increase of 7.8 percent).

In total, the City's General Fund should receive approximately \$2.7 million more than was adopted for FY07. The Fund Summaries section of the adopted budget includes detailed information on the major FY08 General Fund revenue sources. Table 3 below summarizes the General Fund revenue sources. Table 4 highlights

where the \$2.7 million of expenditure authority above the FY07 General Fund budget has been allocated.

TABLE 3: General Fund Revenues by Type

General Fund Revenues	Actual FY06	Adopted FY07	Adopted FY08	% Change
Property Taxes	28,513,927	30,770,000	32,024,080	4.1%
Licenses and Permits	1,778,686	1,709,000	1,714,500	0.3%
Rev. from Other Gov't.	16,529,228	15,512,100	16,107,699	3.8%
Charges for Services	5,399,748	5,253,855	5,539,942	5.4%
Fines and Forfeitures	812,194	784,000	774,000	-1.3%
Use of Money / Property	1,368,809	709,700	1,073,812	51.3%
Other Revenue	1,707,351	1,504,500	1,672,872	11.2%
<b>Total</b>	<b>56,109,943</b>	<b>56,243,155</b>	<b>58,906,905</b>	<b>4.7%</b>

TABLE 4: General Fund Expenditures by Type

Exp. by Type	Adopted FY07	Adopted FY08	Amount Change	% Change	% of FY08
Salaries	25,919,159	27,379,925	1,460,766	5.6%	46.5%
Benefits	7,508,761	7,730,006	221,245	2.9%	13.1%
Overtime	646,429	787,276	140,847	21.8%	1.3%
Personnel	34,074,349	35,897,207	1,822,858	5.3%	60.9%
Contract Serv.	7,079,902	7,948,259	868,357	12.3%	13.5%
Commodities	4,602,285	4,802,757	200,472	4.4%	8.2%
Operating	11,682,187	12,751,016	1,068,829	9.1%	21.6%
Capital Outlay	584,636	709,378	124,742	21.3%	1.2%
Other / Transfer	2,438,359	2,278,410	(159,949)	-6.6%	3.9%
Contrib. to CIP	1,812,824	2,365,002	552,178	30.5%	4.0%
Debt Service	5,650,800	4,905,892	(744,908)	-13.2%	8.3%
<b>Total</b>	<b>56,243,155</b>	<b>58,906,905</b>	<b>2,663,750</b>	<b>4.7%</b>	<b>100.0%</b>

Personnel costs will increase in total by 5.3 percent, or \$1.8 million, which includes a cost of living adjustment (COLA) of 2.5 percent, merit increases for Police and union personnel, and funding for pay for performance for administrative scale and Recreation and Parks scale employees. The total number of FY08 benefited FTEs in the General Fund will remain the same as the FY07 adopted budget. Overall, 7.9 FTEs were added as new positions, and 1.5 FTEs were transferred to the General Fund from other funds, 3.5 FTEs were transferred out of the General Fund to the Speed Camera Fund, and 5.9 vacant and new positions were removed from the budget and placed on the "freeze" list.

The biggest General Fund cost drivers for FY08 will be the City's funding of its CIP, the operating costs from previous CIP, realignment of previous CIP funds with the costs centers, and increase in the costs of electricity. Some of the previous CIP costs did not meet the policy definition for being included within the CIP, and consequently these costs will now appear within the operating budget under the Capital Outlay category. Moving these costs has the additional benefit of better aligning expenditures within the appropriate cost centers.

TABLE 5: General Fund Expenditures by Department

Expenditures by Department	Adopted FY07	% of FY07	Adopted FY08	% of FY08
Mayor and Council	1,278,368	2.3%	1,359,543	2.3%
City Manager	2,741,321	4.9%	3,116,926	5.3%
CPDS	4,465,167	7.9%	4,685,027	8.0%
Finance	1,832,428	3.3%	1,914,805	3.3%
Human Resources	909,516	1.6%	1,017,534	1.7%
Information and Tech.	3,135,659	5.6%	3,266,938	5.5%
Police	7,191,131	12.8%	8,266,077	14.0%
Public Works	6,407,236	11.4%	6,635,945	11.3%
Recreation & Parks	15,879,314	28.2%	17,620,726	29.9%
Non-departmental	12,403,015	22.1%	11,023,384	18.7%
<b>Total</b>	<b>56,243,155</b>	<b>100.0%</b>	<b>58,906,905</b>	<b>100.0%</b>

#### City Enterprise Funds

The City operates six enterprise funds for the provision of water, sewer, refuse, parking, stormwater and golf services. These funds operate and account for their transactions in a way similar to private businesses. One objective of the funds is to be self-supporting; i.e. their fees and charges are supposed to be sufficient to recover all operating costs, both direct and indirect, and all capital outlay, infrastructure and debt service costs as well as maintain sufficient reserve levels.

An independent study of each fund's financial condition was performed during the past year. Based on the study, the FY08 budget recommends rates and provides resources that promote the viability and long-term financial health of the funds.

#### Water Fund

The recently completed study of the Water Fund by Municipal & Financial Services Group (MFSG) was presented to the Mayor and Council in March 2006. The study proposed a five-year rate schedule of which FY08 is the second year. Several changes to the design of the water rate structure were adopted in FY07. Most notable were fixed ready to serve charges based on meter sizes and tiered rates for the usage component of the water bill. These changes resulted in redistributing some of the system costs to the largest volume users. The study reflected that successive annual usage rate increases are needed for the next several years to bring the Fund's financial status back to health.

The recommended rates for the FY08 adopted budget for the Water Fund are as follows:

- \$1.78 per thousand gallons for the first 12,000 gallons per quarter
- \$2.56 per thousand gallons for the next 12,000 gallons per quarter
- \$2.75 per thousand gallons for usage beyond 24,000 gallons per quarter

The rate at each tier is recommended to increase approximately 10% over FY07. In addition, each business or household pays a ready to serve fee each quarter for water and sewer service based on the size of the meter. In sum, the average Rockville household now pays \$165 per year for water service based on the tiered system. This estimate is the sum of the rate charge and the ready to serve charge. Staff recommends that the rates for the ready to serve fee remain unchanged for FY08. A history of rates can be found in the Fund Summaries section of the budget document.

In FY08, the City will continue the ongoing investment in the system's comprehensive meter replacement program. This will allow for improved efficiencies in reading meters and billing, and for more accurate collection of revenues. Aging meters do not provide accurate readings, which results in lost revenues.

One new position was added during FY07 for a water plant operator at the water treatment plant. This position was needed because of the extended absence due to injury of one of the current operators.

The soon to be completed 2007 water distribution study will reflect millions of dollars in improvements to the water distribution system, and these improvements will be incorporated into the rate setting process beginning in FY09.

#### Sewer Fund

Similar to the Water Fund, a detailed study by MFSG was presented to the Mayor and Council in March of 2006. The study recommended a sewer rate of \$3.82 per 1,000 gallons, which is an increase of \$0.19 from the FY07 rate of \$3.63 or 5.23%. A ready to serve fee is charged to customers based on meter size. In sum, the average Rockville household now pays \$293 per year for sewer service. This estimate is the sum of the rate charge and the ready to serve charge.

Nearly all of the capital costs in the Sewer Fund, and a substantial portion of the operating costs, are payments for the operation of and capital improvements to the District of Columbia Water and Sewer Authority's (DCWASA) Blue Plains Wastewater Treatment Plant. The 1998 Master Plan for the DCWASA included a significant increase in planned capital costs, as reflected in the Blue Plains Wastewater Treatment CIP project. Even with the rate increase for FY08, the Sewer Fund will need to borrow money through a bond issue to fund the work at Blue Plains. A history of sewer rates can be found in the Fund Summaries section of the budget document.

### Refuse Fund

A cash flow analysis of the Refuse Fund has identified the need for a \$1.70 increase in the monthly rate for refuse collection, disposal, and recycling services. The FY08 recommended rate of \$32.70 per month is a 5.48 percent increase from FY07. A presentation made to the Mayor and Council in November 2005 reflected that the Fund was in a financial decline and that changes were needed in order to run a viable refuse program. Without major changes to the system, residents will face successive annual increases to bring the Fund back to a healthy financial status. Changes recommended addressed environmental, health, safety and welfare of the refuse workers, and recycling. A history of rates is available in the Fund Summaries section of the budget document.

The Mayor and Council unanimously approved a pilot program to test a change from the current system of twice per week manual collection with back door option, to a once per week schedule using semi-automated curbside collection. The Pilot Program began in March of FY06 and is continuing pending Mayor and Council direction.

At the time of printing, the Mayor and Council has moved closer to adopting citywide changes that would impact the refuse budget. The FY08 adopted budget includes no changes to the refuse system. City refuse customers will pay \$98 per quarter for refuse services in FY08.

### Parking Fund

FY08 will be a challenging year for the Parking Fund. In FY06, financing was obtained for the construction of three public garages within the Town Center development. The Fund's annual debt service totals \$2.1 million; a substantial portion of this amount will have to be funded with a transfer from the City's General Fund. The latest data analyzed reflects that there will not be sufficient revenue generated from parking revenue to service this debt, and an annual transfer from the City's General Fund will be required. Estimates of this "revenue gap," once the operations of the garages are stabilized, will be between \$500,000 and \$800,000 annually for the thirty-year life of the bonds.

It is the Mayor and Council's policy that all parking revenue generated by all meters throughout the City be dedicated to servicing the debt incurred to construct the garages. The City is reliant on both the meter revenue and parking violation revenue to pay for the costs of constructing the garages. Once the City gains experience with operating the garages, adjustments to the rate schedule may be called for.

### Stormwater Management Fund

Changes in the rate of development in the City are also impacting the Stormwater Management Fund. As the rate of development slows, fewer dollars come into the Fund to support growing stormwater management needs throughout the City. In November 2006, Mayor and Council adopted a study by Amec Environmental to implement a stormwater management fee to be paid by all residents and commercial entities of Rockville. This fee will support a stormwater management program that will ensure Rockville's streams and watersheds are protected, restored, and enhanced by meeting State and federal guidelines. An information

and education process is being developed to share with residents before the fee is implemented. As directed by the Mayor and Council, the stormwater management fee will be adopted with the FY09 budget.

### Golf Fund

The Golf Fund showed a cash deficit of more than \$500,000 at the end of FY06. The Mayor and Council adopted a business plan based on a financial analysis of the Golf Fund to address the deficit. In FY06, the Mayor and Council directed that the Golf Fund administrative charge be reduced by half, that marketing efforts be intensified, and that additional capital improvements be made to the course. Positive results have already been noted through the first half of FY07, and the plan will continue through FY08.

### **Looking Forward**

The City's current financial situation requires that we continue our responsible fiscal practices in managing expenditures and revenues. First, we need to respond appropriately to changing growth patterns. For many years, new development and growth have helped fund a steady stream of new projects, facilities and services. As Rockville reaches its growth potential, we will be less able to look to growth and new development as sources of increasing revenue. Future property tax revenues will increasingly be a function of redevelopment and reassessments of existing property, and may not increase as steadily.

Second, we must continue to carefully consider how reserves, including any surpluses, are used. Retaining reserves for unexpected expenses is imperative, particularly given the large capital projects currently under construction and planned for the near future. It is also important to keep in mind that unless overall service levels are reduced, or selected programs are eliminated, expenditures will continue to rise over time. We need to be prepared to fund those rising expenditures and, where possible, to contain them by improving our operational efficiency.

Finally, we must be vigilant with regard to the City's debt management and capital planning. The City should continue to look for every opportunity to limit our debt burden and live within our means for our capital projects.

With an eye toward generating new revenue sources, during FY08 we expect to complete our analysis of development impact fees as a means of financing infrastructure needed to keep pace with the aforementioned growth. We may also again seek State legislation to enable levying a building excise tax on new construction and a hotel/motel room tax.

### **Conclusion**

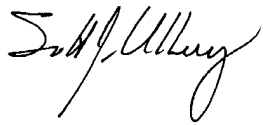
Many City staff, too many to mention by name, contributed to preparing the adopted budget. A vast amount of analytical work goes into producing the budget document. The budget process is truly one project that involves all City departments. The many people working together on its production exemplify the values of teamwork, craftsmanship, and public service that guide City staff in all of our work throughout the year. The City's Director of Finance, Gavin Cohen and

new Budget Officer, Stacey Tate, deserve particular recognition for their efforts. I would also like to thank the department directors and their staff for their significant contributions in preparing this budget, and for their excellent performance in service to the community.

While uncertainties and challenges lie ahead, the City's financial policies and conservative fiscal approach will allow the City to remain in a strong financial position for FY08 and beyond. Still, we need to anticipate and remain adaptable to the changing service needs inherent in the physical, social, and demographic changes Rockville is experiencing currently, and will continue to experience.

The adopted budget as presented utilizes available resources in an effective and responsible manner. The budget is in line with all previous policy direction set by the Mayor and Council, and includes sufficient resources to fulfill Mayor and Council's Vision 2020 and associated priorities. On behalf of our dedicated City staff, we remain grateful to the community and the Mayor and Council for the opportunity to serve, and we look forward with enthusiasm to FY08 and the many exciting challenges and opportunities that await us.

Respectfully,



Scott Ullery  
City Manager





# Full Time Equivalent Positions

## Changes from FY07 Adopted to FY08 Adopted

During FY07, 4.5 regular positions were added to the City's full-time equivalent (FTE) count. These positions include 1.0 police officer, 2.5 photo enforcement officers and 1.0 water treatment plant operator. In addition to these positions from adopted FY07, 5.6 new FTEs were added this FY08 and 5.9 FTEs of vacant positions were deleted.

### Department of City Manager's Office (CMO): increase of 2.0 FTEs

- 1.0 FTE Website Administrator transferred from IT to CMO.
- 1.0 FTE Web/Graphics Assistant transferred from IT to CMO.

### Department of Community Planning and Development Services (CPDS): decrease of 1.4 FTEs

- 0.5 FTE new Planning Technician added.
- 0.1 FTE Part-time Planning Technician increased from 0.4 to 0.5.
- 1.0 FTE vacant Zoning Inspector deleted.
- 1.0 FTE vacant Planner III - Redevelopment deleted.

### Department of Information and Technology: decrease of 1.0 FTE

- 1.0 FTE new Security and Application Administrator added.
- 1.0 FTE Website Administrator transferred from IT to CMO.
- 1.0 FTE Web/Graphics Assistant transferred from IT to CMO.

### Department of Police: increase of 4.5 FTEs

- 2.5 FTEs Camera Enforcement Officers added (added in mid-FY07).
- 1.0 FTE Police Officer added (added in mid-FY07).
- 1.0 FTE new Police Officer added.

### Department of Public Works: increase of 0.5 FTE

- 1.0 FTE Water Operator added (added in mid-FY07).
- 1.0 FTE new Engineering Tech IV (20% General Fund, 80% Stormwater Fund) added.
- 0.5 FTE vacant Engineering Tech IV deleted.
- 1.0 FTE vacant PW Data and GIS Specialist deleted.

### Department of Recreation and Parks: decrease of 0.4 FTE

- 1.0 FTE new Assistant Facility Engineer (60% General Fund, 40% Parking Fund) added.
- 1.0 FTE new Youth and Family Counselor added.
- 1.0 FTE vacant Facilities Maintenance Tradesworker deleted.
- 0.4 FTE vacant Kids Room Director (part-time) deleted.
- 0.5 FTE vacant Program Assistant III (part-time) deleted.
- 0.5 FTE vacant Senior Outreach Worker (part-time) deleted.

The charts below list the allocation of regular FTEs and temporary FTEs by department for FY06, FY07, and FY08. These charts also show the additions and deletions from the FY07 Adopted budget to FY08 Adopted budget.

Regular Positions by Department:	FY06 Actual	FY07 Adopted	Additions	Deletions	FY08 Adopted
Mayor and Council	4.5	4.5	0.0	0.0	4.5
City Manager	21.4	21.6	2.0	0.0	23.6
CPDS	45.0	45.0	0.6	2.0	43.6
Finance	28.5	29.0	0.0	0.0	29.0
Info. and Technology	21.0	21.0	1.0	2.0	20.0
Community Services	13.0	N/A	N/A	N/A	N/A
Human Resources	8.0	8.0	0.0	0.0	8.0
Police	79.0	85.5	4.5	0.0	90.0
Public Works	154.0	158.5	2.0	1.5	159.0
Recreation and Parks	148.0	158.2	2.0	2.4	157.8
<b>Regular FTE Total:</b>	<b>522.4</b>	<b>531.3</b>	<b>12.1</b>	<b>7.9</b>	<b>535.5</b>

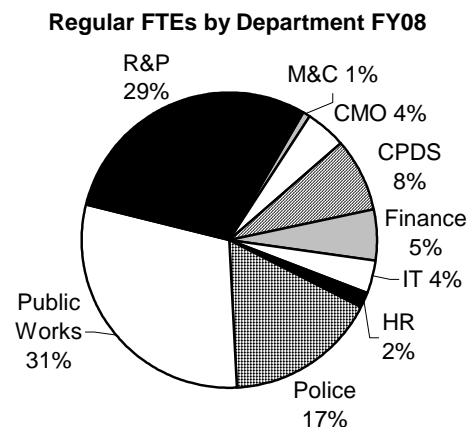
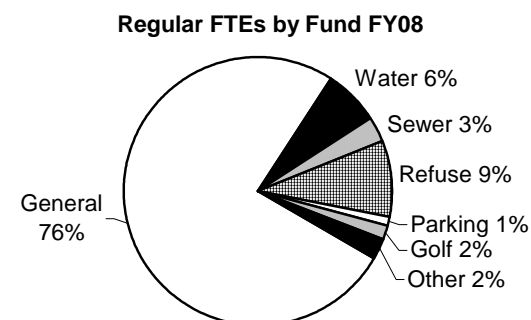
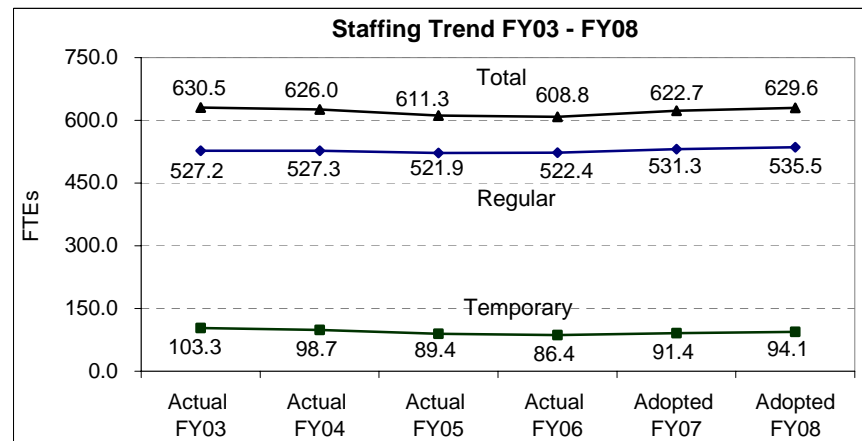
Temporary Positions by Department:	FY06 Actual	FY07 Adopted	Additions	Deletions	FY08 Adopted
Mayor and Council	0.7	0.6	0.1	0.0	0.7
City Manager	0.8	0.0	0.8	0.0	0.8
CPDS	2.3	2.5	0.6	0.3	2.8
Finance	0.2	0.1	0.0	0.0	0.1
Info. and Technology	1.1	1.9	0.0	0.3	1.6
Community Services	0.1	N/A	N/A	N/A	N/A
Human Resources	0.1	0.1	0.0	0.0	0.1
Police	0.9	1.0	0.0	0.0	1.0
Public Works	8.4	2.4	3.5	0.0	5.9
Recreation and Parks	71.8	82.8	0.4	2.1	81.1
<b>Temp. FTE Total</b>	<b>86.4</b>	<b>91.4</b>	<b>5.4</b>	<b>2.7</b>	<b>94.1</b>
<b>Grand Total all FTEs:</b>	<b>608.8</b>	<b>622.7</b>	<b>17.5</b>	<b>10.6</b>	<b>629.6</b>

# Full Time Equivalent Positions

Each regular or temporary City of Rockville position is allotted a full-time equivalent (FTE). The FTE associated with each position is then charged against a fund (or funds) based on the scope of work being performed. Benefits provided with each position are offered on a pro-rata basis based on the FTE count. The charts below list the regular FTEs and the temporary FTEs by fund.

Regular Positions:	FY06 Actual	FY07 Adopted	FY07 Est. Act.	FY08 Adopted
General	403.0	406.4	409.9	406.4
Water Facility	33.3	34.3	35.3	35.3
Sewer	16.5	16.5	16.5	16.5
Refuse	48.4	48.4	48.4	48.4
Parking	2.5	6.25	6.25	6.4
Town Center Management	0.0	0.25	0.25	0.0
Stormwater Management	6.0	6.0	6.0	6.8
RedGate Golf Course	9.8	9.8	9.8	9.8
Special Activities	0.0	0.5	0.5	0.5
Community Development Block Grant	0.9	0.9	0.9	0.9
Speed Camera	N/A	N/A	N/A	3.5
Capital Projects Fund	2.0	2.0	2.0	1.0
<b>Regular FTE Total</b>	<b>522.4</b>	<b>531.3</b>	<b>535.8</b>	<b>535.5</b>

Temporary Positions:	FY06 Actual	FY07 Adopted	FY07 Est. Act.	FY08 Adopted
General	72.1	84.0	81.8	84.1
Water Facility	0.1	0.3	0.3	0.3
Sewer	0.1	0.3	0.9	0.9
Refuse	7.0	0.0	4.5	2.7
Parking	0.0	0.0	0.0	0.0
Stormwater Management	0.8	0.8	0.8	0.8
RedGate Golf Course	6.3	5.9	7.5	5.2
Special Activities	0.0	0.1	0.0	0.1
<b>Temporary FTE Total:</b>	<b>86.4</b>	<b>91.4</b>	<b>95.8</b>	<b>94.1</b>
<b>Grand Total all FTEs:</b>	<b>608.8</b>	<b>622.7</b>	<b>631.6</b>	<b>629.6</b>



# Budget Development Process

**General** — The City Charter requires the City Manager to submit a budget to the Mayor and Council at least one month before the beginning of each fiscal year. In addition to the operating budget, a five-year capital improvement plan is presented for the Council's review. The Mayor and Council schedule and publish advance notices of public hearings. The budget is approved in the form of an appropriations ordinance. During the year, the City Manager has authority to transfer budgeted amounts between departments within any fund, but changes in the total appropriation level for a given fund can only be enacted by the Mayor and Council through a budget amendment ordinance. The City amends the budget throughout the fiscal year as needed.

**FY08 Operating Budget** — In October 2006, City Management and Budget staff presented to Mayor and Council the FY08 financial picture and alternative scenarios, and sought and obtained general directions and guidance in preparing the FY08 Budget.

Management and staff conducted a review of each department's operating budget and all CIP projects. In November 2006, established targets and worksheets were distributed to departments. In January 2007, the City Manager held meetings with the senior management team and division heads to discuss priorities for the coming year. A number of additional requests for increased funding were discussed and incorporated into the departmental budgets.

During February and March 2007, the budget staff prepared the FY08 Proposed Operating Budget and FY08 - FY12 Capital Improvements Program for presentation to the Mayor and Council on March 26, 2007. After the Mayor and Council and the senior management team reviewed and discussed the budget, public hearings were held on April 16, 2007 and April 23, 2007, to solicit citizen responses to the proposed budget.

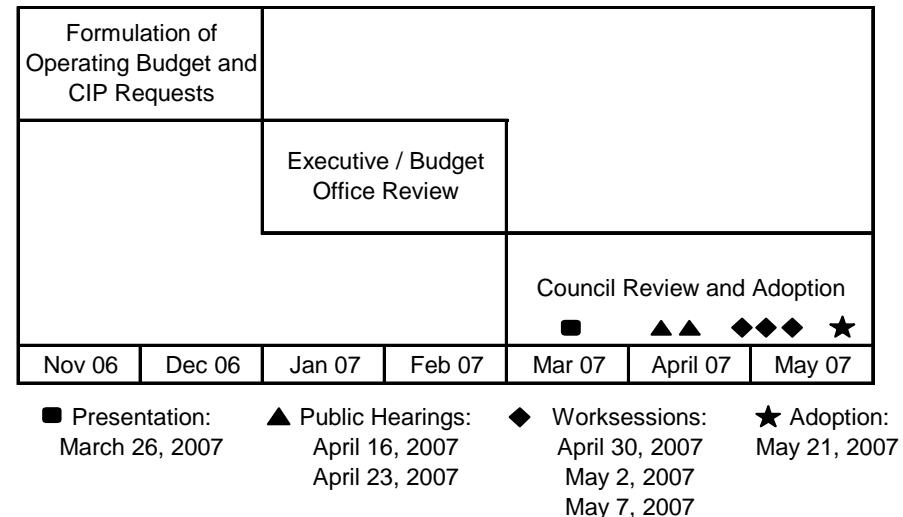
Following the public hearings, the Mayor and Council conducted three worksessions on April 30, 2007, May 2, 2007, and May 7, 2007 to discuss the budget prior to adoption. On May 21, 2007, the Mayor and Council approved the budget and adopted the ordinances that set the property tax rate and the refuse charge.

During June and July 2007, the budget staff prepared and implemented the FY08 Adopted Operating Budget and FY08 - FY12 Capital Improvements Program. The adopted budget for FY08 took effect on July 1, 2007.

**FY08 Capital Improvements Program** — In October 2006, the City Manager solicited requests from departments, neighborhoods, and homeowners associations for Capital Improvements Program (CIP) projects. Several requests were received and can be found on page 12 of the CIP Book (separate book).

The adopted operating budget and CIP are available on the City's Website ([www.rockvillemd.gov](http://www.rockvillemd.gov)) and highlights are available on *The Rockville Channel* (Ch.11) and in *Rockville Reports*.

The chart below is a monthly time-line of the major components of the FY08 budget development process.



# City of Rockville Organizational Chart

